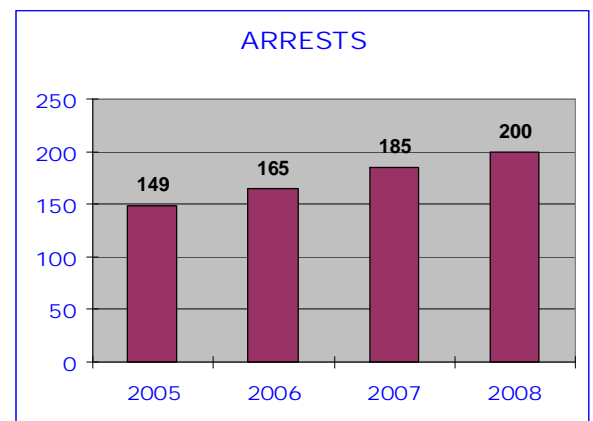


**OFFICE OF ATTORNEY GENERAL****INSURANCE FRAUD SECTION**
TOM CORBETT • ATTORNEY GENERAL
NEWSLETTER**** SPECIAL EDITION NEWSLETTER ****
**** LOOKING BACK AT 2008 ****

Each year the fight against insurance fraud intensifies. In 2008, we had more cases and more arrests than in any previous year since the insurance fraud section was established more than 12 years ago. We also saw an escalation in the size and complexity of the schemes being committed. More than half a dozen defendants arrested for fraud scams last year were also charged with corrupt organizations, for utilizing a criminal enterprise to carry out their scheme. Over a dozen industry insiders were arrested, several of whom used ponzi schemes to perpetrate their fraud. Many of those schemes were specifically aimed at the elderly. We also saw the number of frauds involving thefts in excess of \$100,000 doubled in 2008.



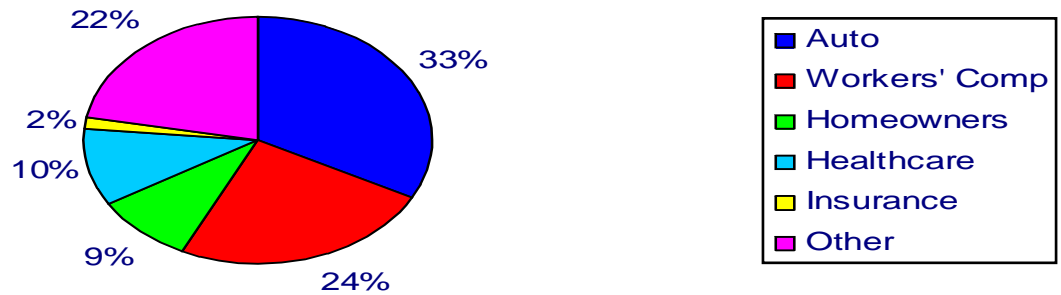
Insurance Fraud is one of the most costly white collar crimes in America today, with estimated losses in the billions of dollars annually. According to some estimates, insurance fraud costs the average American family more than \$1,000 each year. Insurance fraud, however, affects more than just your wallet—your health and safety is also endangered. Fraud perpetrators, who stage auto accidents, commit arsons or fraudulently use your identity in health insurance scams, can cause serious bodily injury or death. This is a financial crime with often devastating consequences that victimizes everyone.



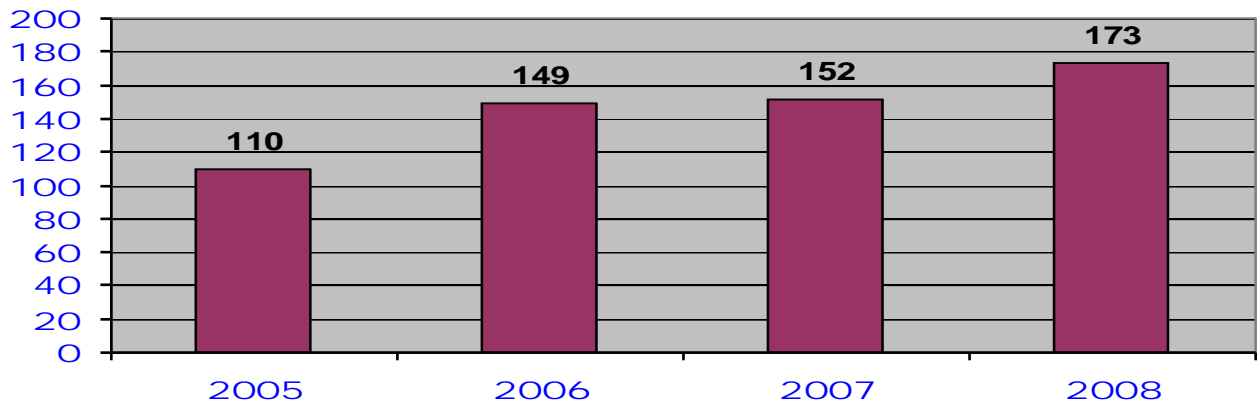
Since its inception in 1996, the Insurance Fraud Section of the Pennsylvania Office of Attorney General has established itself as a dominant force in the fight against fraud. We are the largest law enforcement entity in Pennsylvania with the specific authority to investigate and prosecute insurance fraud. We aggressively pursue all types of fraud involving all lines of insurance.

This newsletter provides a brief statistical overview of our fraud efforts and highlights some of the larger or more unique cases handled by this office in 2008.

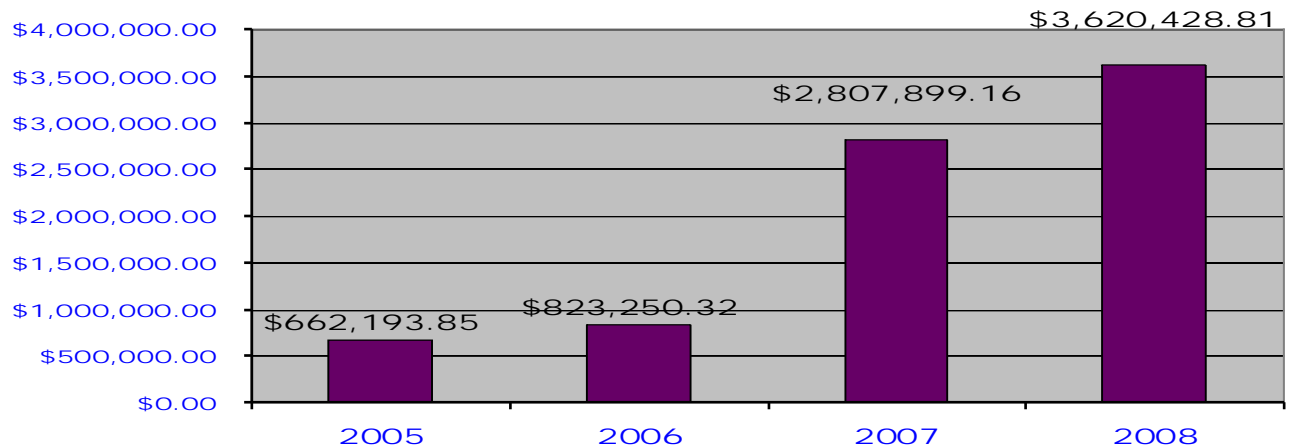
2008 Referrals



CONVICTIONS / DIVERSIONS



RESTITUTION



AUTO INSURANCE FRAUD

Chiropractor Arrested and Charged in Connection With Two Staged Bus Accidents



Dr. Eileen Means, owner and principal of Frankford Therapy, was arrested on August 22, 2008, in Philadelphia County on multiple charges including, insurance fraud and theft.

An extensive investigation revealed that two minor bus accidents were allegedly staged as part of a scheme to defraud two insurance companies. According to the Criminal Complaint, a total of 43 claims were received by the Lancer Insurance Company and the Rutgers Insurance Company on behalf of persons who claimed to have suffered soft tissue injuries in one of the two accidents. The Complaint stated that Means submitted claims to Lancer and Rutgers on behalf of various patients for numerous days worth of treatments. However, these patients went to Means at Frankford Therapy for far fewer visits and one of the patients had allegedly informed Dr. Means that she was not injured as a result of the bus collision.

According to the Criminal Complaint, an expert in the identification of fraud in the practice of chiropractics, reviewed the Frankford Therapy bills and supporting documents that Dr. Means submitted to the insurers in connection with several of these patients. The expert concluded that the course of treatment identified in the bills, even if it had been performed, would have served no therapeutic purpose and would have had the sole purpose of fraudulently running up the bills.

Three Charged in Joint Investigation With the Pennsylvania State Police For Illegal Alien Scheme and Life Insurance Fraud

Linda Escobedo was arrested on October 9, 2008, George Bradford and Richard Weaver were arrested October 10, 2008, in Chester County on multiple charges, including corrupt organizations, insurance fraud and theft. Escobedo and Bradford are the owners of A-Affordable Insurance Agency, located in Thorndale, PA. Weaver is a car dealer and notary in Coatesville.

According to the Criminal Complaint, A-Affordable marketed a "leasing program" that provided hundreds of illegal aliens, who did not have driver's licenses or any other appropriate identifying documentation, with vehicle registrations, insurance, license plates, and bogus driver's licenses. The Complaint further stated that to circumvent Pennsylvania Department of Transportation (PennDOT) regulations that prevented illegal aliens from registering cars, A-Affordable submitted title and registration paperwork to PennDOT falsely identifying itself as the owner of the cars and then "leased" the illegal aliens' cars back to them for a fee. Richard Weaver allegedly assisted in this part of the scheme, by preparing and submitting PennDOT paperwork with forged signatures and providing PennDOT paperwork and license plates to A-Affordable and the illegal aliens. The Complaint further stated that A-Affordable charged the illegal aliens undisclosed fees in excess of the actual premiums and provided the insurance companies with false and undocumented information about the identity, residence, and license status of the insured drivers and ownership of the cars.

According to the Criminal Complaint, A-Affordable also carried out a second scheme in which it created over 2000 Globe Life insurance policies in the names of individuals



who did not ask for a policy and did not know that such a policy existed. The Complaint stated that after the policies were created, A-Affordable paid the premiums for a short period, usually two months, for a total payment of usually less than \$16 for each policy. Once Globe Life received those initial premium payments, it paid a commission which resulted in A-Affordable receiving \$135 for each policy. Globe Life records show that A-Affordable only paid an estimated total of \$33,000 in premiums on the bogus policies, but Globe Life paid approximately \$300,000 in commissions on these policies.

Two Charged With Making Over 23 False Auto Insurance Claims



On April 23, 2008, Willie Ballard and Estela Perez were arrested in Allegheny County on charges of making over twenty-three false auto insurance claims.

In the various different claims, Ballard and Perez allegedly inflated damages and injuries related to claims filed with numerous insurance companies. The victimized companies include the Progressive Insurance Company, the AIG Insurance Company, the Farmers Insurance Company, the Donegal Mutual Insurance Company, the Infinity Property & Casualty Insurance Company and the Nationwide Insurance Company.



According to the Criminal Complaint, Ballard and Perez tried to collect twice for some of the damages and completely fabricated other accidents. The Complaint stated that Ballard and Perez claimed that eleven of the accidents were due to crashing into stationary objects, some of which included a wall, a parked car, stairs, a utility pole, engine parts scattered on the road and six incidents of crashing into a tree. Furthermore, the Complaint alleged there were wide discrepancies in the number of visits to medical facilities and the number of prescriptions obtained for medical treatment of their injuries.

Lancaster County Man Incarcerated for Motorcycle Chop Shop Operation and \$100,000 Insurance Fraud Scam

Colin Campbell owned and operated Preferred Auto, Inc., a licensed used car dealership, out of his residential property located in Manheim, Pennsylvania, which served as the cover for the chop shop operation. Campbell, along with four co-defendants, transferred VINs from salvaged motorcycles to stolen motorcycles. The stolen motorcycles were then sold to unsuspecting buyers.



Campbell also filed two fraudulent insurance claims based on an alleged burglary of his farm residence. Campbell claimed that a vintage 1967 Camaro insured by the American Modern Insurance Company for \$74,000 and a set of mechanic's tools insured by the Reamstown Mutual Insurance Company for \$50,188.69 were stolen from his property. The burglary, however, never took place. Campbell had paid an acquaintance to store the Camaro while the claim was pending. Campbell collected \$124,188.69 in benefits from the two insurers on these fraudulent claims.

Colin Campbell pled guilty to chop shop violations and insurance fraud and on October 24, 2008, was sentenced to serve 9 to 23 months incarceration, a consecutive term of 5 years probation and ordered to pay restitution and all court costs.

Brooklyn Family Patriarch Sentenced to Jail For Rate Evasion Insurance Scam



On January 22 & 23, 2008, Benito Berrios, Sr. and five other family members were arrested and charged with numerous offenses for defrauding five insurance companies and PennDOT in a rate evasion scam. On March 7, 2008, an additional family member was arrested and charged with similar criminal offenses.

Benito Berrios Sr.'s son owned a house in Tobyhanna, Pennsylvania and this address was used by the family members to obtain automobile insurance for their vehicles while they lived in New York. Berrios Sr. also ran an illegal school bus service in the Brooklyn area utilizing vehicles titled, tagged and insured in Pennsylvania at the Tobyhanna address as non-commercial passenger vehicles. In total, fourteen vehicles were registered to this address, including two, 15-seat passenger vans. Berrios Sr. was the owner of the bus service and personally facilitated the applications for insurance on those vans. The other six family members applied for and obtained Pennsylvania drivers licenses listing the Tobyhanna address as their home, and insuring their vehicles at that address.

Benito Berrios, Sr. pled guilty to Insurance Fraud and Criminal Conspiracy and on July 28, 2008 was sentenced to serve 6 to 23 months incarceration and ordered to pay a fine of \$1,000 and all court costs. The remaining family members received probation.

HOMEOWNER FRAUD

Two Charged for Preying on Homeowners in Operation of Illegal Insurance Adjustment Scheme



On February 8, 2008, Clarence Jackson and Jacqueline Cooper were arrested in Dauphin County on numerous charges including, corrupt organization, insurance fraud and theft, for operating an illegal insurance adjustment scheme involving more than \$100,000 in false claims.



According to the Criminal Complaint, Jackson and Cooper, using their own names and a variety of aliases, engaged in a pattern of illegal activity while operating a public insurance adjusting business under the names of "Coast-2-Coast" and "Global Public Adjusters" in and around Dauphin, Delaware and Philadelphia counties and several locations in New Jersey. The Complaint stated Jackson and Cooper went to various residences, inspected the property for potential damage and convinced homeowners to let them file a claim against their insurance policy. Allegedly, in many cases, Jackson enhanced existing water damage or created the appearance of new damage by spraying a liquid on ceilings and walls. In some instances, he allegedly loosened or removed shingles from the roof to create the impression of windstorm damage.

The Complaint stated Jackson and Cooper often submitted one or more insurance claims without the homeowner's knowledge or consent and forged homeowner's signatures on paperwork and checks. Furthermore, Jackson and Cooper also allegedly inflated the value of homeowner claims by submitting fraudulent invoices from non-existent contractors.

MEDICAL PRESCRIPTION FRAUD

Pharmacist and Pharmacy President Convicted in Joint Investigation and Prosecution with the FBI and U.S. Attorney's Office



On April 25, 2008, Anthony Grejda was sentenced to serve 57 months incarceration followed by 3 years supervised release, ordered to pay \$2,393,309.98 in restitution and a \$15,000 fine. Lisa St. Peter was sentenced to serve 20 months incarceration followed by 3 years supervised release and ordered to pay restitution joint and several with the co-defendant.



This investigation was initiated by the Office of Attorney General based on information indicating that TDI Pharmacy was dispensing and billing medications without a physician's prescription and then billing for large quantities of medication that had not been dispensed. TDI Pharmacy was a closed-door pharmacy which mailed the prescriptions/medications to its customers. The majority of their customers had been HIV patients, who required extremely expensive HIV medications. Anthony Grejda was the owner and pharmacist of TDI and Lisa St. Peter was the President. Pharmacy documents were analyzed and pieced together with their corresponding insurance and Medicaid claim files revealing the theft of millions of dollars.

This case was initially worked jointly by the Insurance Fraud Section and the Medicaid Fraud Section of the Pennsylvania Office of Attorney General. As the investigation proceeded, it was evident that the fraud and theft involved numerous other states and the matter was investigated and prosecuted jointly with the FBI and the US Attorney's office.

Fayette County Pharmacy Charged in Medical Prescription Fraud

In October 2008, Chris Ruby, Jay Stern, Louis Stern and Burns Wholesale Drug Corporation were arrested in Fayette County on numerous charges involving insurance fraud and theft.

Burns Wholesale Drug Corporation is owned and operated by the Stern family. According to the Criminal Complaint, between October 2003 and March 2006, pharmacists at Burns Drug submitted billings under prescription insurance policies for members of the Stern family and various employees of Burns Drug to the Highmark Insurance Company for prescription medications that were not authorized by physicians.

It is alleged that approximately 300 bad prescriptions, many of which included multiple refills which were either not authorized or not dispensed, but nonetheless had been billed and paid for by the Highmark Insurance Company. Records were allegedly generated to document some of the non-existent prescriptions to hide the fraud. In addition, the Complaint stated that many of the fabricated prescriptions were attributed to two doctors who are members of the extended Stern family, but who denied issuing the prescriptions. Records of other fraudulent prescriptions identify "Stern" as the authorizing physician, though all of the doctors named Stern in western Pennsylvania denied authorizing the prescriptions. The alleged purpose of the billings was to acquire additional revenue for the pharmacy.



WORKERS' COMPENSATION FRAUD

New Jersey Businessman and Company Convicted for Committing Over \$490,000 in Workers' Compensation Fraud

Michael Mortorano and Merchandise Movers were both charged with numerous Workers' Compensation and Theft charges for committing more than \$450,000 in workers' compensation fraud, filing false workers' compensation reports and failing to maintain the required workers' compensation coverage. Michael Mortorano entered an open guilty plea and on April 30, 2008, in Berks County, and was sentenced to serve 1 to 23 months incarceration followed by 6 months house arrest/electronic monitoring, 7 years concurrent probation and was ordered to pay a fine of \$50,000, restitution of \$493,080.22 and all court costs. Merchandise Movers, Inc., entered a guilty plea to one count of Failure to Insure Workers' Compensation.



Mortorano is the president and principal operator of Merchandise Movers, Inc. Merchandise Movers conducted business in Pennsylvania while operating under the aliases of various different corporations. Mortorano used acquaintances to establish numerous "shell" corporations, which concealed that Merchandise Movers was the primary company providing a labor force in Pennsylvania. Mortorano used the shell corporations to lie to the State Workers' Insurance Fund (SWIF) about the number of employees, their job classifications and payroll information in order to hide his true operation liability and obtain Pennsylvania workers' compensation policies at minimal cost. Over the past five years, Mortorano defrauded SWIF out of more than \$300,000 in workers' compensation premium payments.

In addition, Mortorano failed to obtain proper workers' compensation insurance for his Pennsylvania employees and had at least two periods of time where there was no coverage. During one of those times, a Merchandise Movers truck driver was seriously injured while working at a Philadelphia warehouse job site. After the injury, Mortorano submitted an application for Pennsylvania workers' compensation insurance. At that time, Mortorano only had insurance for his New Jersey employees. In an attempt to get the claim paid under the New Jersey policy with Travelers Insurance Company, Mortorano lied, stating that the injured worker was a New Jersey employee, who was temporarily assigned to the Philadelphia job site at the time of the accident. The injured worker was left unable to collect more than \$150,000 in benefits.

PONZI FRAUD SCHEMES AGAINST THE ELDERLY

Agent Charged With Stealing Over \$676,000 from Senior Citizens



On September 9, 2008, Thomas M. Serfass, an insurance agent, was arrested in Lehigh County and accused of stealing more than \$676,000 from senior victims stretching across eastern and central Pennsylvania. Twenty-five victims were identified, ranging in age from 60 to 85 years old. Serfass has been charged with numerous offenses including corrupt organizations, insurance fraud and theft.

According to the Criminal Complaint, Serfass used his Lehigh County insurance business, Thomas Serfass and Associates, to market various investment products and services to senior citizens in Berks, Lackawanna, Lancaster, Lehigh, Northampton and Pike counties. Serfass sold what he described as "private annuities," which promised high guaranteed interest rates, along with "asset protection policies," which were suppose to help safeguard the assets of older consumers. The Complaint stated that Serfass, using the title of 'Certified Senior Advisor,' targeted older residents, stealing their money, their trust and their financial security.

According to the Criminal Complaint, the annuity agreements and asset protection policies were issued by Serfass and his company, Thomas Serfass and Associates, a company not registered with the Pennsylvania Securities Commission and not licensed by the Pennsylvania Department of Insurance. Additionally, the funds paid to Serfass by various seniors were not deposited into any form of secure, interest-bearing account. Instead, consumers' investments were allegedly deposited into Serfass' business checking account and used to pay various business and personal expenses.

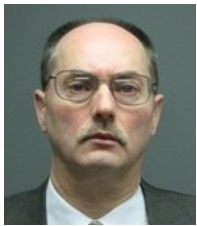
Businessman Charged For Elder Financial Fraud Abuse

Scott Powell was arrested on October 29, 2008, in Lancaster County and charged with numerous offenses including corrupt organizations, insurance fraud and theft, for financial fraud abuse against senior clients.



According to the Criminal Complaint, Powell solicited a number of older consumers, including seniors he contacted while making a presentation at a retirement community, to invest in fraudulent "Certificates of Deposit" and non-existent "mutual funds". The Complaint stated that eleven victims gave Powell various amounts of money in excess of \$80,000 to invest. Powell allegedly kept the money for his own personal use, including starting a new business and paying his domestic relations obligations. The Complaint further stated that Powell provided these clients with fraudulent statements showing their investments growing to maintain the illusion that these investments were legitimate.

Insurance Agent Accused of Defrauding Elderly Clients Out of \$284,000



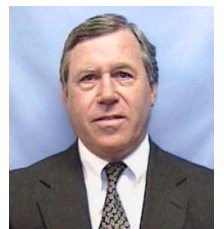
On December 8, 2008, Steve A. Brubaker, an insurance agent, was arrested in Lancaster County on numerous charges including Insurance Fraud and Theft.

According to the Criminal Complaint, Brubaker, a licensed insurance provider and the owner of TWC Resources and formerly a registered representative for Woodbury Financial Services, Inc., devised an investment scheme to convince older clients to invest in unregistered securities, in the form of "private bearer bonds" issued by TWC Philanthropic Pool. Allegedly, Brubaker sold these unregistered securities to eight individuals ranging in ages from 57 to 83 and totaling \$180,000. Brubaker allegedly did not invest these monies, but instead, used the funds for his own personal use. The Complaint further stated Brubaker contacted another individual who had just lost her daughter to cancer and allegedly offered to handle the deceased daughter's financial affairs and invest the remaining funds in her estate totaling \$104,533.70. Allegedly, Brubaker did not invest the money, but again, used the funds for his own personal use.

ADDITIONAL AGENT FRAUD

Insurance Agent Convicted for Stealing Nearly \$137,000 from Clients

John McDonough, an insurance agent who operated The McDonough Agency, was arrested on April 9, 2008, in York County for defrauding clients out of nearly \$137,000. McDonough entered an open guilty plea to insurance fraud and theft, and on December 5, 2008, was sentenced to serve 10 to 20 months incarceration, a consecutive 5 years of probation and ordered to pay restitution and all court costs.



McDonough kept premium funds from a number of his clients instead of using the money to purchase insurance. McDonough was paid directly by some clients and

arranged financing for other clients to help cover larger insurance premiums. McDonough deposited the insurance payments into his own business account, rather than forwarding the money to the insurance companies and then used the funds to pay his own business and personal expenses. Insurance policies were never written for some clients while the policies for others were eventually cancelled by the insurance companies because of nonpayment. McDonough stole from three finance companies and ten different organizations, including trucking companies, car dealers and two Knights of Columbus social clubs, many of which continued to operate believing they were insured. McDonough continued to act as an insurance agent even after his insurance license had been revoked by the Pennsylvania Department of Insurance.

Agent Convicted on Defrauding Eleven Clients



William Elensky, an insurance agent, took monies from eleven individuals for the purpose of obtaining various types of annuity or insurance policies, including workers' compensation and commercial liability policies. Elensky pled guilty and on September 22, 2008, in Clearfield County, was sentenced to serve 18 to 84 months incarceration and 2 years concurrent probation and was ordered to pay restitution and all court costs.

Elensky obtained approximately \$91,000 from his clients but failed to use the money to purchase the requested policies. Instead, Elensky used the monies for his own purposes, which included paying various bills arising out of his insurance agency. On numerous occasions, Elensky prepared fraudulent documents for the purpose of convincing the defrauded victims that the monies were, in fact, used for the intended purposes.

Insurance Agent Convicted For Theft of Policy Premiums

Lanny Blyweiss was arrested in Montgomery County and charged with insurance fraud and numerous theft charges for defrauding clients out of more than \$137,000. Blyweiss pled guilty and on February 12, 2008, was sentenced to serve 3 to 6 months incarceration and 10 months house arrest, followed by 5 years of probation and ordered to pay restitution and all court costs.



Lanny Blyweiss, an insurance agent, tampered with a client's insurance policy and stole \$127,233 of her money. The client contacted Blyweiss for the purpose of obtaining an insurance policy through Life Insurance Company of the Southwest. She initially gave him \$25,000 for her policy. Blyweiss, however, did not obtain the policy and pocketed the \$25,000. Blyweiss then submitted a fraudulent withdrawal form to the Life Insurance Company of the Southwest requesting \$53,139 from a non-qualified annuity insurance policy that was also owned by the same client. Blyweiss forged the client's signature on the withdrawal form and had the check for \$53,139 sent to his P. O. Box. On two additional occasions, Blyweiss submitted fraudulent withdrawal forms on the client's policy. Blyweiss again forged the client's signature and cashed both checks. Blyweiss presented fictitious annual statements to the client so that she would not be suspicious of his activity.

Blyweiss also stole additional funds from the Beverly Kelberg Scholarship Endowment Fund. The Fund had given Blyweiss approximately \$11,000 for the purpose of purchasing a Life Insurance Company of the Southwest Non-Qualified Annuity policy. Blyweiss, however, kept the money and never obtained the annuity.